

Legal & Regulatory

Lakeside West
30 The Causeway
Staines
Middlesex TW18 3BY

Telephone 01784 874 000
Facsimile 01784 878719
www.centrica.com

Laura Nell
Quality of Service Manager
Ofgem
9 Mill Bank
London SW1P 3GE

18th January 2008

By email

Dear Laura

Thank you for your letter dated 14th December, about Customer First research for Distribution Price Control Review 5.

British Gas fully agrees with the statement in your executive summary that (amongst consumers);

“There was little willingness to pay for more service or quality improvements. Rather service and quality improvements are considered part of the Distribution Network owners remit.”

In terms of the wider context, United Utilities' electricity distribution business was recently sold for £1.78bn, representing a massive 45% premium to their Regulatory Asset Base. This reinforces our view that the rates of return previously allowed to electricity distribution businesses, and network owners more generally have been overly generous. Suppliers and hence customers should not be required to top up already generous revenue allowances in order to ensure that regulated monopolies get the basic elements of customer service right.

We believe that Ofgem can secure a better deal for customers in the next price control period by engaging energy suppliers and other stakeholders more fully and by maximising the transparency of the Price Control Review process. In order for such engagement to be effective it is essential that suppliers have more timely access to greater levels of information than has been the case in previous price control reviews.

Key stakeholders (such as customers and suppliers) should have a greater degree of influence over the services provided and funded under the price control than has previously been the case. British Gas is therefore keen to take an active role in the forthcoming electricity distribution price control review and engage fully with you and your team as well as the DNOs in the future.

Yours sincerely

Steve Briggs
Senior Regulation Manager